



**DEFENSE LOGISTICS AGENCY**  
**DEFENSE CONTRACT MANAGEMENT COMMAND**  
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IN REPLY  
REFER TO

APR 14 1997

AQOD

**MEMORANDUM FOR COMMANDERS, DEFENSE CONTRACT MANAGEMENT  
DISTRICTS**

**SUBJECT: DCMC Memorandum No. 97-43 Product Noncompliances - Return On  
Investment (ROI) (INFORMATION)**

This is an INFORMATION memorandum effective immediately and ending September 30, 1997. Target audience: All DCMC employees involved in the collection and reporting of ROI data.

We recently requested examples of the \$110 million of product noncompliances cost avoidances reported during the December 1996-January 1997 ROI reporting period. We wanted to highlight these examples as DCMC success stories.

Upon analysis of the examples, we determined some of the information reported was not in compliance with the reporting guidelines contained in the FY 97 DCMC Metrics Guidebook. In the case of product noncompliances reported by Corrective Action Requests, items which required only minor repairs or rework were reported at full acquisition cost, thus grossly overstating the actual cost avoidances.

Request you ensure all DCMC employees involved in the collecting and reporting of ROI cost savings or avoidances are aware of and are in compliance with the data reporting requirements contained in the FY 97 DCMC Metrics Guidebook, Part 1.4, Return on Investment (page 15), and the associated data elements. In the case of Product Noncompliances, the Guidebook Metric 3.7.1.4, Corrective Action Request Cost Avoidance (page 57), requires the reporting of the cost of all rework or repair to products classified as unusable to the customer. The "Note" under the Metric computation guidance (page 58) states that the full value should be reported only when the item is scrapped.

If you have any questions, please contact Mr. Nelson Cahill, Contractor Capability and Proposal Analysis Team (AQOD), (703) 767-3370 or DSN 427-3370.

JILL E. PETTIBONE  
Executive Director  
Contract Management Policy

